

Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 PA-02 OES-09 DOE-15
SOE-02 INT-05 /153 W
-----030177 181546Z /42

R 181455Z AUG 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 6263
INFO ALL EC CAPITALS
AMEMBASSY TOKYO
AMEMBASSY OTTAWA

UNCLAS SECTION 01 OF 02 PARIS 27640

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, FR
SUBJ: FRENCH PRESS REACTION TO PRESIDENT CARTER'S
STATEMENT ON THE DOLLAR

1. SUMMARY: WIDESPREAD INITIAL PRESS REACTION TO PRESIDENT CARTER'S AUGUST 16 STATEMENT ON THE DOLLAR HAS BEEN POSITIVE IF CAUTIOUS. ALL COMMENTATORS AGREE THAT SUCH A STEP BY THE US WAS NECESSARY TO BRING TO AT LEAST A TEMPORARY HALT THE MONETARY DISORDER WHICH PREVAILED DURING THE FIRST HALF OF AUGUST (AND WHICH HAS BEEN PROMINENTLY FEATURED BY THE FRENCH PRESS ON A CONTINUOUS BASIS). HOWEVER, THEY QUESTION WHETHER THE U.S. ADMINISTRATION WILL BE ABLE TO CONVINCE THE FOREIGN EXCHANGE MARKET THAT IT HAS BOTH THE DETERMINATION AND THE CAPABILITY OF TAKING RAPID AND EFFECTIVE MEASURES TO CURB THE INFLATION AND TO IMPROVE THE FOREIGN TRADE BALANCE. AN INCREASE IN
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SHORT-TERM INTEREST RATES IS GENERALLY SEEN AS ESSENTIAL TO DEFENDING THE DOLLAR; IN THIS REGARD, THE RECENT INCREASE IN THE FEDERAL FUNDS RATE HAS BEEN PERCEIVED AS A NECESSARY BUT ONLY A PRELIMINARY STEP. END SUMMARY

2. FOLLOWING ARE SUBSTANTIVE EXCERPTS FROM THE MAJOR NEWSPAPERS:

LE MONDE (EDITORIAL DATED 8/18, APPEARED 8/17): "HAS PRESIDENT CARTER REALLY DECIDED TO TAKE THE MEASURES NECESSARY TO STOP THE FALL OF THE DOLLAR? THE COUNCIL OF WAR WHICH MET WEDNESDAY, AUGUST 16, AT WHICH MICHAEL BLUMENTHAL AND WILLIAM MILLER PARTICIPATED PERMITS ONE TO THINK THAT THE WHITE HOUSE STRATEGISTS ARE PREPARING TO REVISE CERTAIN OF THEIR PRIORITIES... THE PRESIDENT OF THE UNITED STATES IS WORRIED ABOUT THE CONSEQUENCES OF THE DOLLAR'S FALL ON THE HEALTH OF THE AMERICAN ECONOMY... BUT ALSO ON THE POLITICAL COHESION OF THE WESTERN WORLD... THE NEW ORIENTATION BY THE AMERICANS WILL BE WELL-RECEIVED ABROAD."

LE MONDE (OTHER ARTICLE) (8/18, APPEARED 8/17): "THE FOREIGN EXCHANGE MARKETS, AFTER A MOMENT OF HESITATION, FINALLY WARMLY RECIEVED THE PRESIDENT'S PROPOSALS. THE DOLLAR APPRECIATED, SOMETIMES VIGOROUSLY, AGAINST ALL CURRENCIES. IS THIS AN INDICATION OF A MORE PROFOUND CHANGE? IT IS POSSIBLE, TAKING ACCOUNT OF THE LOW LEVELS TO WHICH THE DOLLAR HAS FALLEN DURING RECENT DAYS AND OF THE INCREASE IN INTEREST RATES IN THE U.S., THAT THERE MAY BE A TECHNICAL RECOVERY DURING THE NEXT FEW DAYS. HOWEVER, TO GO FROM THERE TO TALK OF A FUNDAMENTAL CHANGE IN THE LONG RUN TREND OF THE DOLLAR UNCLASSIFIED

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WOULD BE A DANGEROUS STEP. THERE STILL EXISTS TOO MUCH UNCERTAINTY REGARDING THE MEASURES WHICH THE U.S. COULD TAKE AND EVEN MORE SO ON THE MEANS WHICH THE ADMINISTRATION HAS AVAILABLE TO PUT THEM INTO OPERATION."

AGEFI (8/17): "ONCE AGAIN THE DECLARATIONS OF PRESIDENT CARTER AND THOSE OF THE TREASURY LACKED THE NECESSARY CLARITY... OBSERVERS ARE UNCLEAR AS TO WHAT TYPE OF MEASURES THE U.S. COULD TAKE. THE ENERGY PROGRAM CONTINUES TO BE TIED-UP BY CONGRESS. THERE REMAINS THE POSSIBILITY OF AN INCREASE IN INTEREST RATES. ALTHOUGH MR. MILLER HAS SEVERAL TIMES EXPRESSED HIS HOSTILITY IN THIS REGARD, IT SEEMS THAT THIS IS THE DIRECTION IN WHICH THE U.S. IS POINTED, AND THERE IS EVEN TALK OF AN INCREASE IN THE DISCOUNT RATE... BECAUSE, OUTSIDE OF A TIGHTENING OF CREDIT, MARKET OBSERVERS DO NOT SEE WHAT SPECTACULAR ACTION THE U.S. COULD IMMEDIATELY TAKE TO STOP THE DEPRECIATION OF THE DOLLAR."

LES ECHOS (8/18 HEADLINES): "LIMITED POSSIBILITIES

FOR THE U.S. TO SURMOUNT THE MONETARY CRISES. WHAT CAN

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LAB-04 SIL-01 L-03 H-02 PA-02 OES-09 DOE-15
SOE-02 INT-05 /153 W
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R 181455Z AUG 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 6264
INFO ALL EC CAPITALS
AMEMBASSY TOKYO
AMEMBASSY OTTAWA

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ONE HOPE FROM THE US AFTER THE ALARM SIGNAL WHICH
PRESIDENT CARTER SOUNDED ON WEDNESDAY. NOTHING LESS
THAN SOME CONVINCING INITIATIVES AGAINST INFLATION AND
THE TRADE DEFICIT. WITH REGARD TO INFLATION, THERE IS
NOTHING NEW WHICH CAN REASSURE THE FOREIGN EXCHANGE
DEALERS. JIMMY CARTER AFFIRMED IN A 'BUSINESS WEEK'
INTERVIEW THAT THERE WILL NOT BE ANY WAGE AND PRICE
CONTROLS... THUS, THE ONLY ANTIDOTE AGAINST INFLATION
IS THE EXPECTED SLOWDOWN OF THE ECONOMY... THE OPTIONS
OF THE AMERICAN AUTHORITIES ARE QUITE LIMITED SINCE THE
FATE OF THE ENERGY PROGRAM DEPENDS ON A RELUCTANT
CONGRESS. THERE REMAINS ONE LAST POSSIBILITY:
INTEREST RATES."

LE FIGARO (8/18) HEADLINE: "A REPRIEVE OF THE DOLLAR."
"THE BENEFIT OF THE DOUBT: THUS CAN BE SUMMARIZED
THE REPRIEVE WHICH THE FOREIGN EXCHANGE MARKETS HAVE
GRANTED TO THE DOLLAR... THE INCREASE IN THE FEDERAL
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FUNDS RATE IS A PRELIMINARY STEP WHICH HAS AT LEAST
PSYCHOLOGICAL IMPORTANCE... HOWEVER, THE INCREASE IN
INTEREST RATES WILL HAVE TO GO MUCH FARTHER THAN THIS
SMALL FIRST STEP IN ORDER TO CONVINCE THE MARKET. THE
CARTER ADMINISTRATION WILL BE ABLE TO DO THIS ONLY IF
IT SUCCEEDS IN IMPLEMENTING A CREDIBLE POLICY AGAINST
INFLATION... THE PROBLEM IS ESSENTIALLY POLITICAL.
THE PRESIDENT CURRENTLY CANNOT COUNT ON THE COOPERATION
OF EITHER CONGRESS OR THE UNIONS. HE HAS THE WEAPONS,
BUT EVERYTHING DEPENDS ON HIS AUTHORITY. GIVEN THESE
CONDITIONS, THE MARKET IS WAITING FOR SOME
DEFINITE DECISIONS."
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